

**WASHINGTON COUNTY SCHOOL DISTRICT  
AUDIT REPORT  
YEAR ENDED JUNE 30, 2009**

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October 2, 2009

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Education  
Washington County School District  
Springfield, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of Washington County School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for Schools District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County School District as of June 30, 2009, and the respective changes in financial position, and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2009, on our consideration of Washington County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on Pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Washington County School District. The combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

**WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT – SPRINGFIELD, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

As management of the Washington County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning general fund balance for the District was \$2,739,233. The ending general fund balance was \$3,291,590.
- The board approved a second recallable nickel tax for building purposes. The tax was not recalled and was put into effect in 2007-08. The second nickel was matched by the state government at 50% for this year, and will be matched 100% for years thereafter.
- The district experienced a major decrease in interest income, dropping by 55% from prior year due to the recession, with an average annual rate of 2.35%. Rates declined during the year from a high of 3.26% APY to a low of 2.02% APY.
- General Fund Receipts fell by \$758,899, or 5% due to a one-time reimbursement for a math lab for the middle school, the reduction in interest described above, and a reduction in SEEK due to declining enrollment.
- The district remains committed to increasing teacher and classified salaries; however this was limited due to declining revenue. Salaries increased for certified and classified employees by 1%.
- The General Fund had \$13.5 million in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding building fund transfers, there were \$12.9 million in General Fund expenditures.

**FACILITIES AND CONSTRUCTION HIGHLIGHTS**

- State law requires districts to update a priority list of construction and renovation needs, called a Local Facilities Plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. The district updated its facilities plan during fiscal year 2006-07 to include renovations to Washington County High School and Washington County Elementary School, as well as other construction renovations, to reach a district unmet need of \$16 million.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. In 2007-08, Bonds 1996, 1997A & B, and 1998 were refunded for a savings to the district of \$370,660. In 2008-09, no bonds were issued.
- Last year, the board purchased 16.532 acres of land adjoining its current high school, middle school and elementary school campus to be used for future use as athletic fields. The board hired the architect firm of Ross-Tarrant in Lexington to do a master plan of this site, in partnership with the school administrators and community members. This was completed in May 2009 and presented to the public as Phase I and Phase II. The site preparation work should begin in the Spring of 2010.

- The roof at Washington County Elementary School, due to the extremely poor condition of the existing roof, was replaced as recommended by architects. Work was completed on this project in September, 2009.
- Upon recommendations from a safety audit, new doors for Washington County High School and Washington County Elementary School were installed with keyless card entry at a cost of \$207,000. The project was completed in October, 2008.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operation. The only fiduciary fund is scholarship fund. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-34 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$14.6 million as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Government-Wide Financial Analysis

#### Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>
Current Assets	\$ 6,985,482	\$ 7,859,419	\$ 71,311	\$ 80,303	\$ 7,056,793	\$ 7,939,722
Capital Assets	13,698,553	13,748,323	58,211	63,861	13,756,764	13,812,184
Total Assets	20,684,035	21,607,742	129,522	144,164	20,813,557	21,751,906
Current Liabilities	776,063	920,122	57,045	80,285	833,108	1,000,407
Long-Term Liabilities	6,469,015	6,089,086	0	0	6,469,015	6,089,086
Total Liabilities	7,245,078	7,009,209	57,045	80,285	7,302,123	7,089,493
Net Assets:						
Invested in capital assets,						
net of related debt	6,913,553	7,343,323	58,211	63,861	6,971,764	7,407,184
Restricted	3,751,839	3,944,206			3,751,839	3,944,206
Unrestricted	2,773,565	3,311,005	14,266	18	2,787,831	3,311,023
Total Net Assets	\$ 13,438,957	\$ 14,598,534	\$ 72,477	\$ 63,879	\$ 13,511,434	\$ 14,662,413

#### Statement of Net Assets

Total net assets increased from \$13,511,434 at June 30, 2008 to \$14,662,413 at June 30, 2009. This is an increase of \$1,150,979. Of that increase business type activities decreased \$8,598 and government type activities increased by \$1,159,577. Total assets increased from \$20,813,557 at June 30, 2008 to \$21,751,906 at June 30, 2009. This increase of \$938,349 was due mostly from the increase in cash and cash equivalents in the amount of \$882,929 during the fiscal year. Total liabilities decreased from \$7,302,123 at June 30, 2008 to \$7,089,493 at June 30, 2009. This decrease is due primarily to scheduled bond payments being made.

The district implemented GASB 34 and recorded fixed assets and debt for the first time in fiscal year 2003-04.

## Statement of Activities

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
<b>Revenues:</b>	<b><u>FY08</u></b>	<b><u>FY09</u></b>	<b><u>FY08</u></b>	<b><u>FY09</u></b>	<b><u>FY08</u></b>	<b><u>FY09</u></b>
<u>Program Revenues:</u>						
Charges for Services	\$ 29,310	\$ 51,674	\$ 306,305	\$ 382,961	\$ 335,615	\$ 434,635
Operating Grants and Contributions	2,664,966	2,374,123	594,417	624,167	3,259,383	2,998,290
Capital Grants and Contributions	400,967	500,426	-	-	400,967	500,426
<u>General Revenue:</u>						
Taxes	3,663,326	3,639,797	-	-	3,663,326	3,639,797
State Aid – Formula Grants	10,804,569	10,344,479	-	-	10,804,569	10,344,479
Unrestricted Investment Earnings	393,048	193,898	6,880	803	399,928	194,701
Miscellaneous Revenues	37,324	22,055	10,887	-	48,211	22,055
Gain on Sale of Capital Assets	10,845	(122)	-	-	10,845	(122)
Loss Compensation	5,712	1,415	-	-	5,712	1,415
				1,007,93		
<b>Total Revenues</b>	<b>18,010,067</b>	<b>17,127,745</b>	<b>918,489</b>	<b>1</b>	<b>18,928,556</b>	<b>18,135,676</b>
<b>Expenses</b>						
Instructional	10,212,702	10,145,617	-	-	10,212,702	10,145,617
Student Support	310,836	275,628	-	-	310,836	275,628
Staff Support	471,707	469,667	-	-	471,707	469,667
District Administration	815,243	585,876	-	-	815,243	585,876
School Administration	927,522	923,252	-	-	927,522	923,252
Business Support	678,335	671,349	-	-	678,335	671,349
Plant Operations & Maintenance	1,411,707	1,351,283	-	-	1,411,707	1,351,283
Student Transportation	1,172,615	899,761	-	-	1,172,615	899,761
Central Office	871	845	-	-	871	845
Community Service Operations	347,301	343,479	-	-	347,301	343,479
Facilities Acquisition & Constr.	-	-	-	-	-	-
Interest on Long Term Debt	508,811	231,436	-	-	508,811	231,436
Food Service	-	69,975	994,930	1,016,529	994,930	1,086,504
<b>Total Expenses</b>	<b>16,857,650</b>	<b>15,968,168</b>	<b>994,930</b>	<b>1,016,529</b>	<b>17,852,580</b>	<b>16,984,697</b>
Change in Net Assets	1,152,417	1,159,577	(76,441)	(8,598)	1,075,976	1,150,979
Net Assets July 1, 2008	12,286,540	13,438,957	148,918	72,477	12,435,458	13,511,434
Net Assets June 30, 2009	\$ 13,438,957	\$ 14,598,534	\$ 72,477	\$ 51,125	\$ 13,511,434	\$ 14,662,413



**Statement of Activities**

Total expense for the primary government decreased from \$16,857,650 for the year ended June 30, 2008 to \$15,968,168 for fiscal year ended June 30, 2009. This is a decrease in expenses of \$889,482. Total revenue from all sources decreased from \$18,928,556 at June 30, 2008 to \$18,135,676 at June 30, 2009. This is a total decrease in revenue of \$792,880. The net assets for June 30, 2009 was \$14,662,413 compared to \$13,511,434 at June 30, 2008. This is an increase of \$1,150,979 for the current fiscal year.

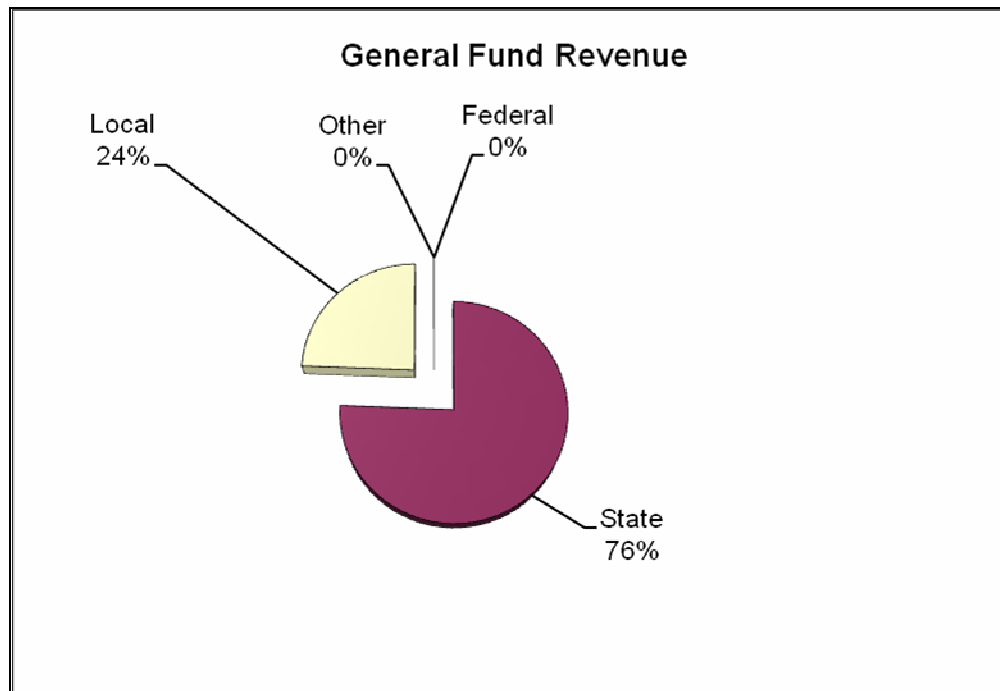
**On-Behalf Payments**

The State of Kentucky makes on-behalf payments for school districts in areas of health and life insurance, and retirement benefits. For the first time, in 2003-04 these payments were entered into Munis. The following table presents a summary of the on-behalf payments.

<b>On-Behalf Distribution 2008-09</b>	
Health Insurance and Life Insurance	\$ 1,671,492
Kentucky Teachers Retirement	870,208
Area Technology Center	81,976
Total On-Behalf Payments	\$ 2,623,676

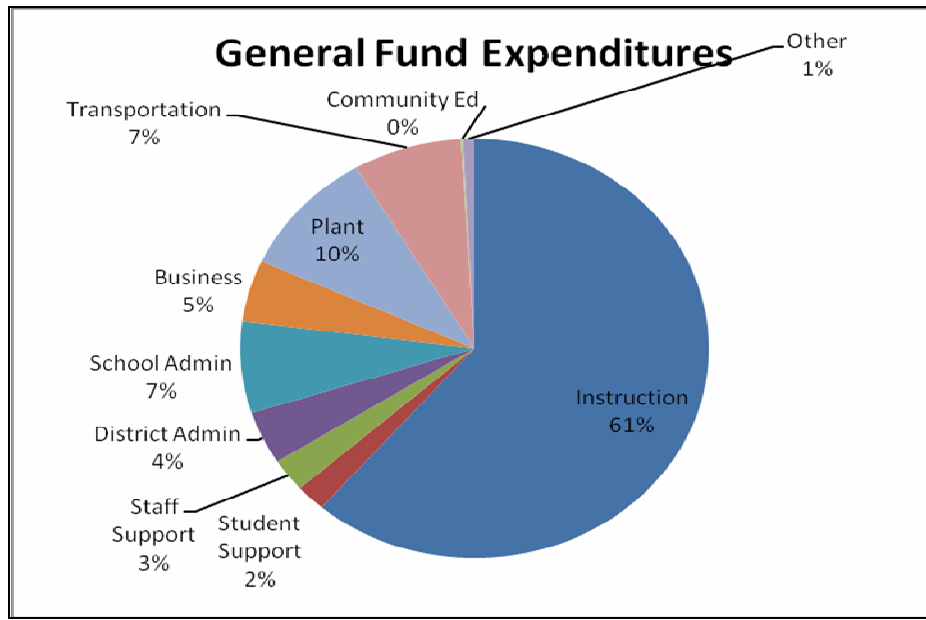
**General Fund Revenue**

The majority of revenue was derived from state funding at 76%, with local taxes making up 24%. See the chart below.



## General Fund Expenditures

Site Based Decision Making Councils expended about sixty percent of the general fund budget; the majority of the non-SBDM funds (10%) were spent serving children with special needs. The remaining thirty percent was expended for district support services. A breakdown of these expenditures is found in the chart below.



## BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs (i.e. some federal) operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$1,378,572 in contingency (7%). Significant Board action that impacts the finances include state mandated salary increases of 1%, full day kindergarten and preschool, nursing services, district and in-school alternative programs, increased staff for special needs children, and school allocations for transportation and custodial supplies.

Questions regarding this report should be directed to Robin Cochran, Superintendent, or to Ruth Ann Cocanougher, Director of Financial Services, (859) 336-5470 or by mail at 120 Mackville Hill, Springfield, Kentucky 40069.

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	6,861,616		6,861,616
Accounts Receivable:			
Taxes - Current	56,920		56,920
Taxes - Delinquent	245		245
Accounts	33,974		33,974
Intergovernmental - State	193,892		193,892
Intergovernmental - Federal	573,771	56,015	629,786
Bond Issue Costs	139,001		139,001
Prepaid Expenses			0
Inventories for Consumption		24,288	24,288
Total Current Assets	7,859,419	80,303	7,939,722
Noncurrent Assets - Note F			
Land	1,061,074		1,061,074
Buildings & Improvements	15,799,710		15,799,710
Technology Equipment	1,616,581		1,616,581
Vehicles	2,143,378		2,143,378
General Equipment	847,585	342,737	1,190,322
Construction In Progress			0
Less: Accumulated Depreciation	(7,720,005)	(278,876)	(7,998,881)
Total Noncurrent Assets	13,748,323	63,861	13,812,184
TOTAL ASSETS	21,607,742	144,164	21,751,906
LIABILITIES:			
Current Liabilities:			
Accounts Payable	58,730	80,285	139,015
Deferred Revenues	376,806		376,806
Bond Obligations - Note E	365,000		365,000
Accrued Sick Leave - Note A	49,086		49,086
Accrued Interest Payable	70,500		70,500
Total Current Liabilities	920,122	80,285	1,000,407
Noncurrent Liabilities:			
Bond Obligations - Note E	6,040,000		6,040,000
Accrued Sick Leave - Note A	49,086		49,086
Total Noncurrent Liabilities	6,089,086		6,089,086
TOTAL LIABILITIES	7,009,208	80,285	7,089,493
NET ASSETS:			
Invested in Net Assets, Net of Related Debt	7,343,323	63,861	7,407,184
Restricted for:			
Capital Projects	3,943,150		3,943,150
School Based Decision Making			
Other Purposes	1,056		1,056
Unrestricted	3,311,005	18	3,311,023
TOTAL NET ASSETS	14,598,534	63,879	14,662,413
TOTAL LIABILITIES AND NET ASSETS	21,607,742	144,164	21,751,906

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	10,145,617		1,809,870		(8,335,747)		(8,335,747)
Student Support Services	275,628		7,130		(268,498)		(268,498)
Staff Support Services	469,667		111,140		(358,527)		(358,527)
District Administration	585,876		68,955		(516,921)		(516,921)
School Administration	923,252				(923,252)		(923,252)
Business Support Services	671,349		46,853		(624,496)		(624,496)
Plant Operation & Maintenance	1,351,283				(1,351,283)		(1,351,283)
Student Transportation	899,761	51,674	649		(847,438)		(847,438)
Central Office	845				(845)		(845)
Community Service Operations	343,479		329,526		(13,953)		(13,953)
Food Service Operation	69,975				(69,975)		(69,975)
Facilities Acquisition & Construction				500,426	500,426		500,426
Interest on Long-Term Debt	231,436				(231,436)		(231,436)
TOTAL GOVERNMENTAL ACTIVITIES	15,968,168	51,674	2,374,123	500,426	(13,041,945)		(13,041,945)
BUSINESS-TYPE ACTIVITIES:							
Food Service	1,016,529	382,961	624,167			(9,401)	(9,401)
TOTAL BUSINESS-TYPE ACTIVITIES	1,016,529	382,961	624,167	0	0	(9,401)	(9,401)
TOTAL SCHOOL DISTRICT	16,984,697	434,635	2,998,290	500,426	(13,041,945)	(9,401)	(13,051,346)
GENERAL REVENUES:							
Taxes					3,639,797		3,639,797
State Aid - Formula Grants					10,344,479		10,344,479
Investment Earnings					193,898	803	194,701
Miscellaneous					22,055		22,055
SPECIAL ITEMS:							
Gain(Loss) Sale of Assets					(122)		(122)
Loss Compensation					1,415		1,415
Transfers							0
TOTAL GENERAL & SPECIAL					14,201,522	803	14,202,325
CHANGE IN NET ASSETS							
NET ASSETS - BEGINNING					1,159,577	(8,598)	1,150,979
NET ASSETS - ENDING					13,438,957	72,477	13,511,434
					14,598,534	63,879	14,662,413

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	GENERAL FUND	SPECIAL REVENUE	BUILDING FUND	CAPITAL OUTLAY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	3,308,267	(390,857)	2,356,374	857,236	730,596	6,861,616
Accounts Receivable:						
Taxes - Current	56,920					56,920
Taxes - Delinquent	245					245
Accounts	33,974					33,974
Intergovernmental - State		193,892				193,892
Intergovernmental - Federal		573,771				573,771
TOTAL ASSETS	<u>3,399,406</u>	<u>376,806</u>	<u>2,356,374</u>	<u>857,236</u>	<u>730,596</u>	<u>7,720,418</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	58,730					58,730
Accrued Sick Leave	49,086					49,086
Deferred Revenues		376,806				376,806
Total Liabilities	<u>107,816</u>	<u>376,806</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>484,622</u>
Fund Balance:						
Reserved for:						
Encumbrances						0
Site-Based Carryforward						0
Accrued Sick Leave	49,086					49,086
Unreserved:						
Unreserved - Reported in Non-Major						0
Capital Projects Fund			2,356,374	857,236	729,540	3,943,150
Debt Service Fund					1,056	1,056
Other Purposes	3,242,504					3,242,504
Total Fund Balance	<u>3,291,590</u>	<u>0</u>	<u>2,356,374</u>	<u>857,236</u>	<u>730,596</u>	<u>7,235,796</u>
TOTAL LIABILITIES AND NET ASSETS	<u>3,399,406</u>	<u>376,806</u>	<u>2,356,374</u>	<u>857,236</u>	<u>730,596</u>	<u>7,720,418</u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

TOTAL GOVERNMENTAL FUND BALANCE		7,235,796
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	21,468,328	
Accumulated Depreciation	<u>(7,720,005)</u>	13,748,323
Bond Issuance Costs		139,001
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(6,405,000)	
Accrued Interest on Bonds	(70,500)	
Accrued Sick Leave	<u>(49,086)</u>	<u>(6,524,586)</u>
TOTAL NET ASSETS - GOVERNMENTAL		<u><u>14,598,534</u></u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL	SPECIAL FUND	BUILDING FUND	CAPITAL OUTLAY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes	3,055,122		584,675			3,639,797
Earnings on Investments	169,391	1,125	23,382			193,898
Intergovernmental - State	10,227,502	831,305	341,737	158,689	116,977	11,676,210
Intergovernmental - Federal		1,444,351				1,444,351
Other Sources	76,108	97,343			160	173,611
TOTAL REVENUES	13,528,123	2,374,124	949,794	158,689	117,137	17,127,867
EXPENDITURES:						
Instructional	7,962,560	1,843,912				9,806,472
Student Support Services	268,088	7,130				275,218
Staff Support Services	329,792	111,140				440,932
District Administration	531,025	68,955				599,980
School Administration	913,913					913,913
Business Support Services	614,563	46,853				661,416
Plant Operation & Maintenance	1,259,845			144,903		1,404,748
Student Transportation	977,118	649				977,767
Central Office						0
Food Service Operation	69,975					69,975
Community Service Operations	14,846	329,526				344,372
Other						0
Facilities Acquisition & Construction					306,760	306,760
Debt Service:						
Principal					380,000	380,000
Interest					201,590	201,590
TOTAL EXPENDITURES	12,941,725	2,408,165	0	144,903	888,350	16,383,143
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	586,398	(34,041)	949,794	13,786	(771,213)	744,724
OTHER FINANCING SOURCES(USES):						
Proceeds from Sale of Bonds						0
Proceeds from Sale of Assets						0
Operating Transfers In - Note N		34,041			464,355	498,396
Operating Transfers Out - Note N	(34,041)		(464,355)			(498,396)
TOTAL OTHER FINANCING SOURCES	(34,041)	34,041	(464,355)	0	464,355	0
NET CHANGE IN FUND BALANCES	552,357	0	485,439	13,786	(306,858)	744,724
FUND BALANCES - BEGINNING	2,739,233	0	1,870,935	843,450	1,037,454	6,491,072
FUND BALANCES - ENDING	3,291,590	0	2,356,374	857,236	730,596	7,235,796

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

NET CHANGES - GOVERNMENTAL FUNDS		744,724
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(652,454)	
Capital Outlays	<u>702,346</u>	49,892
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Principal Paid	380,000	
Bond Proceeds	<u></u>	380,000
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Prepaid Expenses		
Amortization Bond Issuance Cost	(13,523)	
Accrued Interest Payable	(16,323)	
Accrued Sick Leave	<u>14,929</u>	(14,917)
In the statement of activities the net gain on the sale/disposal of assets is reported whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net assets differs from change in fund balances by the cost of the asset sold.		
Loss - Sale of Assets	<u>(122)</u>	(122)
CHANGES - NET ASSETS GOVERNMENTAL FUNDS		<u><u>1,159,577</u></u>

See independent auditor's report and accompanying notes to financial statements.



WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	2,960,023	2,960,023	3,055,122	95,099
Earnings on Investments	195,000	195,000	169,391	(25,609)
State Sources	7,688,479	7,688,479	10,227,502	2,539,023
Federal Sources				0
Other Sources	23,029	23,029	76,108	53,079
TOTAL REVENUES	<u>10,866,531</u>	<u>10,866,531</u>	<u>13,528,123</u>	<u>2,661,592</u>
EXPENDITURES:				
Instructional	6,455,226	6,455,226	7,962,560	(1,507,334)
Student Support Services	270,747	270,747	268,088	2,659
Staff Support Services	308,494	308,494	329,792	(21,298)
District Administration	620,737	620,737	531,025	89,712
School Administration	801,904	801,904	913,913	(112,009)
Business Support Services	591,986	591,986	614,563	(22,577)
Plant Operation & Maintenance	1,498,937	1,498,937	1,259,845	239,092
Student Transportation	1,136,544	1,136,544	977,118	159,426
Central Office				0
Food Service Operation			69,975	(69,975)
Community Service Operations	13,602	13,602	14,846	(1,244)
Facility Acquisition & Construction				0
Other	1,843,572	1,843,572	34,041	1,809,531
TOTAL EXPENDITURES	<u>13,541,749</u>	<u>13,541,749</u>	<u>12,975,766</u>	<u>565,983</u>
NET CHANGE IN FUND BALANCE	(2,675,218)	(2,675,218)	552,357	3,227,575
FUND BALANCES - BEGINNING	<u>2,675,218</u>	<u>2,675,218</u>	<u>2,739,233</u>	<u>(64,015)</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>3,291,590</u></u>	<u><u>3,163,560</u></u>

On-behalf payments totaling \$ 2,482,744 are not budgeted by the Washington County School District.

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes				
Other Local Sources	27,500	27,500	98,468	70,968
State Sources	831,915	831,915	831,305	(610)
Federal Sources	1,323,215	1,333,215	1,444,351	111,136
Other Sources			34,041	34,041
TOTAL REVENUES	<u>2,182,630</u>	<u>2,192,630</u>	<u>2,408,165</u>	<u>215,535</u>
EXPENDITURES:				
Instructional	1,744,768	1,744,768	1,843,912	(99,144)
Student Support Services	6,000	6,000	7,130	(1,130)
Staff Support Services	89,310	89,310	111,140	(21,830)
District Administration	0	10,000	68,955	(58,955)
School Administration				0
Business Support Services			46,853	(46,853)
Plant Operation & Maintenance				0
Student Transportation	600	600	649	(49)
Central Office				0
Community Service Operations	341,952	341,952	329,526	12,426
Facility Acquisition & Construction				0
Other				0
TOTAL EXPENDITURES	<u>2,182,630</u>	<u>2,192,630</u>	<u>2,408,165</u>	<u>(215,535)</u>
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

See accompanying auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	ENTERPRISE FUNDS		
	FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents			0
Investments			0
Accounts Receivable	56,015		56,015
Inventories for Consumption	24,288		24,288
Total Current Assets	80,303	0	80,303
Noncurrent Assets:			
Furniture & Equipment	342,737		342,737
Less: Accumulated Depreciation	(278,876)		(278,876)
Total Noncurrent Assets	63,861	0	63,861
TOTAL ASSETS	144,164	0	144,164
LIABILITIES:			
Current Liabilities:			
Account Payable	80,285		80,285
Accrued Sick Leave			0
Total Current Liabilities	80,285	0	80,285
Net Assets:			
Invested in Assets, Net of Debt	63,861		63,861
Unrestricted	18		18
Total Net Assets	63,879	0	63,879
TOTAL LIABILITIES AND NET ASSETS	144,164	0	144,164

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	ENTERPRISE FUNDS		
	FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	382,621	0	382,621
Other Operating Revenues	340	0	340
TOTAL OPERATING REVENUES	382,961	0	382,961
OPERATING EXPENSES:			
Salaries & Benefits	547,453	0	547,453
Contract Services	45,885	0	45,885
Materials & Supplies	406,014	0	406,014
Depreciation - Note F	14,727	0	14,727
Other Operating Expenses	2,450	0	2,450
TOTAL OPERATING EXPENSES	1,016,529	0	1,016,529
OPERATING INCOME(LOSS)	(633,568)	0	(633,568)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	482,875	0	482,875
State Grants	87,995	0	87,995
Donated Commodities	53,297	0	53,297
Interest Income	803	0	803
TOTAL NONOPERATING REVENUE	624,970	0	624,970
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(8,598)	0	(8,598)
Transfers In	0	0	0
Transfers Out	0	0	0
CAPITAL CONTRIBUTIONS	0	0	0
CHANGE IN NET ASSETS	(8,598)	0	(8,598)
TOTAL NET ASSETS - BEGINNING	72,477	0	72,477
TOTAL NET ASSETS - ENDING	63,879	0	63,879

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from:	
Lunchroom Sales	382,961
Cash Paid to/for:	
Employees	(470,570)
Supplies	(358,091)
Other Activities	(48,335)
	<u>(48,335)</u>

Net Cash Used by Operating Activities	(494,035)
---------------------------------------	-----------

CASH FLOWS FROM NON-CAPITAL AND RELATED

FINANCING ACTIVITIES:

Federal Grants	486,729
State Grants	11,113
	<u>11,113</u>

Net Cash Provided by Financing Activities	497,842
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CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Purchases of Capital Assets	(20,377)
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CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of Interest Income	803
	<u>803</u>

Net Decrease in Cash and Cash Equivalents	(15,767)
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Balances, Beginning of Year	<u>57,045</u>
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Balances, End of Year	<u><u>72,812</u></u>
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RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES:

Operating Loss	(633,568)
----------------	-----------

Adjustments to Reconcile Operating Loss to Net Cash (Used)  
by Operating Activities

Depreciation	14,727
State On-Behalf Payments	76,882
Accounts Payable	7,473
Donated Commodities	53,297
Change in Assets and Liabilities:	
Inventory	(12,846)
	<u>(12,846)</u>

Net Cash Used by Operating Activities	<u><u>(494,035)</u></u>
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Schedule of Non-Cash Transactions:

Donated Commodities	53,297
State On-Behalf Payments	76,882

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
ASSETS:		
Cash and Cash Equivalents	31,088	134,797
Accounts Receivable		
Investment Income Receivable		
Loans Receivable		
Investments - Note D	<u>4,749</u>	
TOTAL ASSETS	<u>35,837</u>	<u>134,797</u>
LIABILITIES:		
Accounts Payable		1,016
Due to Student Groups		133,781
TOTAL LIABILITIES	<u>0</u>	<u>134,797</u>
NET ASSETS HELD IN TRUST	<u><u>35,837</u></u>	<u><u>0</u></u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Donations	30,225
Net Interest and Investment Gains(Losses)	(1,368)
DEDUCTIONS:	
Benefits Paid	<u>300</u>
Changes in Net Assets	28,557
NET ASSETS - BEGINNING OF YEAR	<u>7,280</u>
NET ASSETS - END OF YEAR	<u><u>35,837</u></u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Washington County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Washington County Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Washington County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Washington County Board of Education Finance Corporation – On August 15, 1995, the Washington County Board of Education resolved to authorize the establishment of the Washington County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

### I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards included in this report on Pages 39 and 40. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

### II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

### III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

### Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund operations were \$0.508 per \$100 valuation for real property, \$0.508 per \$100 valuation for business personal property, and \$0.5500 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

### Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

### Budgetary Process

**Budgetary Basis of Accounting:** The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

### Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

### Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

### Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Assets.

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

## **NOTE B – ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **NOTE C – CASH AND CASH EQUIVALENTS**

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$7,027,501. Of the total cash balance, \$251,131 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cash and cash equivalents at June 30, 2009, consisted of the following:

	<b>Bank Balance</b>	<b>Book Balance</b>
Springfield State Bank	8,532,943	7,027,501

Breakdown per financial statements:

Governmental Funds	8,359,672	6,861,616
Proprietary Funds	-	-
Private Purpose Trust Funds	31,088	31,088
Agency Funds	<u>142,183</u>	<u>134,797</u>
	8,523,943	7,027,501

### NOTE D – INVESTMENTS

The following is a comparison of the cost and fair value of investments held in trust at June 30, 2009:

	<b>Cost</b>	<b>Fair Value</b>
Private Purpose Trust Fund	5,454	4,749

### NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Fiscal Court of Washington County aggregating \$6,405,000.

The original amount of each issue and interest rates are summarized below:

1998	310,000	3.70% - 5.125%
2003	2,115,000	2.00% - 4.30%
2008A	3,190,000	2.50% - 4.00%
2008B	795,000	2.30% - 3.20%

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Washington County Fiscal Court and the City of Springfield to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1995 the Board entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2009, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2009-10	365,000	212,644	116,735	460,909
2010-11	370,000	201,821	116,735	455,087
2011-12	380,000	192,077	116,736	455,340
2012-13	400,000	180,950	116,734	464,216
2013-14	410,000	168,351	116,735	461,616
2014-15	420,000	154,946	116,735	458,211
2015-16	430,000	140,990	116,736	454,254
2016-17	445,000	126,279	112,810	458,468
2017-18	425,000	111,119	69,191	466,928
2018-19	435,000	95,645	63,180	467,465
2019-20	430,000	79,908	48,360	461,547
2020-21	455,000	63,643	48,361	470,282
2021-22	470,000	46,398	48,360	468,038
2022-23	480,000	28,341	48,360	459,981
2023-24	490,000	9,545	38,725	460,820
	<u>6,405,000</u>	<u>1,812,657</u>	<u>1,294,492</u>	<u>6,923,162</u>

## NOTE E - BONDED DEBT AND LEASE OBLIGATIONS

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
Governmental Activities:					
Revenue Bond Payable	6,785,000	0	380,000	6,405,000	365,000
Accrued Sick Leave	<u>128,029</u>	<u>0</u>	<u>29,857</u>	<u>98,172</u>	<u>49,086</u>
Governmental Activities					
Long-Term Liabilities	<u>6,913,029</u>	<u>0</u>	<u>409,857</u>	<u>6,503,172</u>	<u>414,086</u>



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	BEGINNING			ENDING
	BALANCE	ADDITIONS	RETIREMENTS	BALANCE
<b>GOVERNMENTAL ACTIVITIES:</b>				
Land	1,061,074			1,061,074
Buildings & Building Improvements	15,321,078	478,632		15,799,710
Technology Equipment	1,535,223	120,871	(39,513)	1,616,581
Vehicles	1,932,441	210,937		2,143,378
General Equipment	786,465	61,120		847,585
Construction	169,214	(169,214)		0
<b>TOTAL AT HISTORICAL COST</b>	<b>20,805,495</b>	<b>702,346</b>	<b>(39,513)</b>	<b>21,468,328</b>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Land	324,125			324,125
Buildings & Building Improvements	3,632,862	358,094		3,990,956
Technology Equipment	1,104,748	166,981	(39,391)	1,232,338
Vehicles	1,514,988	90,147		1,605,135
General Equipment	530,219	37,232		567,451
Construction	0			0
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>7,106,942</b>	<b>652,454</b>	<b>(39,391)</b>	<b>7,720,005</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL NET</b>	<b>13,698,553</b>	<b>49,892</b>	<b>0</b>	<b>13,748,323</b>
<b>PROPRIETARY ACTIVITIES:</b>				
Land	0			0
Buildings & Building Improvements	0			0
Technology Equipment	13,776			13,776
Vehicles	0			0
General Equipment	308,583	20,378		328,961
Construction	0			0
<b>TOTALS AT HISTORICAL COST</b>	<b>322,359</b>	<b>20,378</b>	<b>0</b>	<b>342,737</b>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Land	0			0
Buildings & Building Improvements	0			0
Technology Equipment	12,190	359		12,549
Vehicles	0			0
General Equipment	251,958	14,369		266,327
Construction	0			0
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>264,148</b>	<b>14,728</b>	<b>0</b>	<b>278,876</b>
<b>PROPRIETARY ACTIVITIES CAPITAL NET</b>	<b>58,211</b>	<b>5,650</b>	<b>0</b>	<b>63,861</b>
<b>DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:</b>				
Instructional				468,831
Student Support Services				3,520
Staff Support Services				29,706
District Administration				10,838
School Administration				12,458
Business Support Services				9,933
Plant Operation & Maintenance				20,807
Student Transportation				90,146
Central Office				845
Community Service Operations				5,370
<b>TOTAL</b>				<b>652,454</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2009, as follows:

Year ending June 30:

2010	11,773
2011	8,448
2012	5,896
2013	1,216
2014	<u>0</u>
Total minimum payments	<u>27,333</u>

### NOTE H – RETIREMENT PLANS

Certified employees are covered under the Teachers' Retirement System of Kentucky ("KTRS"), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members hired before July 1, 2008 are required to contribute 9.855% of their salaries and for members hired after July 1, 2008 to contribute 10.855% to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% and 14.105% of salaries respectively. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% for employees hired before September 15, 2008 and 6% for employees hired after September 15, 2008 and a Board contribution of 13.50% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$9,583,225. The payroll for employees covered under KTRS was \$7,072,316 and for CERS was \$2,510,909.

For the year ended June 30, 2009, the Commonwealth contributed \$870,209 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2009, were \$74,775, which represents those employees covered by federal programs.

The contribution requirements for CERS for the year ended June 30, 2009, was \$466,663, which consisted of \$338,974 from the Board and \$127,689 from the employees.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the Plan documents.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The “pension benefit obligation” is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increased and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions’ funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following tables present certain information regarding the plans’ status as a whole, derived from actuarial valuations performed as of the dates indicated:

	<b>KTRS</b> <b>June 30, 2008</b>	<b>CERS</b> <b>June 30, 2008</b>
Assets available for benefits, at fair value	15,321,300,000	5,731,502,438
Pension benefit obligation	<u>(22,460,300,000)</u>	<u>(7,304,217,691)</u>
(Underfunded)/overfunded pension benefit obligation	<u>(7,139,000,000)</u>	<u>(1,572,715,253)</u>

Ten-year historical trend information showing KTRS’s and CERS’s progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2008, comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District’s portion of the unfunded past service cost or the vested benefits of the District’s portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K), and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute to the maximum amount allowable by law. The District does not contribute to these plans.

### **NOTE I – CONTINGENCIES**

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

### **NOTE J – INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related which include Workers’ Compensation insurance.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE L – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction Fund	306,760
School Food Service Fund	8,598
Debt Service	98

### NOTE M – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

### NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	34,041
Operating	Building	Debt Service	Debt Service	<u>464,355</u>
				<u>498,396</u>

### NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2009, consisted of the following individual fund receivables and payables:

None

WASHINGTON COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	CONSTRUCTION FUND	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:			
Cash & Cash Equivalents	729,540	1,056	730,596
Accounts Receivable:			
Taxes			
Accounts			
TOTAL ASSETS	729,540	1,056	730,596
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable			
Total Liabilities	0	0	0
Fund Balances:			
Reserved for:			
Encumbrances			
Site-Based Carryforward			
Accrued Sick Leave			
Unreserved - Reported in Non-Major			0
Capital Projects Fund	729,540		729,540
Debt Service Fund		1,056	1,056
Other Purposes			0
Total Fund Balances	729,540	1,056	730,596
TOTAL LIABILITIES AND NET ASSETS	729,540	1,056	730,596

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
COMBING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	CONSTRUCTION FUND	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:			
Taxes			0
Earnings from Investments			0
Intergovernmental - State		116,977	116,977
Intergovernmental - Federal			0
Other Sources		160	160
TOTAL REVENUES	0	117,137	117,137
EXPENDITURES:			
Instructional			0
Student Support Services			0
Staff Support Services			0
District Administration			0
School Administration			0
Business Support Services			0
Plant Operations & Maintenance			0
Student Transportation			0
Central Office			0
Community Service Operations			0
Facilities Acquisition & Construction	306,760		306,760
Debt Service:			
Principal		380,000	380,000
Interest		201,590	201,590
TOTAL EXPENDITURES	306,760	581,590	888,350
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(306,760)	(464,453)	(771,213)
OTHER FINANCING SOURCES(USES):			
Proceeds from Sale of Bonds			0
Proceeds from Sale of Assets			0
Operating Transfers In		464,355	464,355
Operating Transfers Out			0
TOTAL OTHER FINANCING SOURCES(USES)	0	464,355	464,355
NET CHANGE IN FUND BALANCES	(306,760)	(98)	(306,858)
FUND BALANCES - BEGINNING	1,036,300	1,154	1,037,454
FUND BALANCES - ENDING	729,540	1,056	730,596

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

<u>SCHOOL</u>	<u>FUND BALANCE JULY 1, 2008</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE JUNE 30, 2009</u>
Fredericktown Elementary	4,101	7,833	8,550	3,384
North Washington Elementary	23,363	84,268	93,324	14,307
Washington County Elementary	25,650	24,444	41,711	8,383
Washington. County Middle School	9,089	72,441	64,826	16,704
Washington. County High School	<u>83,598</u>	<u>278,554</u>	<u>271,149</u>	<u>91,003</u>
	<u>145,801</u>	<u>467,540</u>	<u>479,560</u>	<u>133,781</u>

WASHINGTON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
HIGH SCHOOL ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	CASH BALANCES JULY 1, 2008	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2009	ACCOUNTS RECEIVABLE JUNE 30, 2009	ACCOUNTS PAYABLE JUNE 30, 2009	FUND BALANCE JUNE 30, 2009
AP Classes	-	5,257	-	5,257			5,257
Afro-American Club	27	-	-	27			27
Art	73	1,515	1,266	322			322
Athletic	709	42,445	41,213	1,941			1,941
Athletic Uniform	-	8,000	7,647	353			353
19th District Account	-	9,869	9,869	-			-
Track	435	270	600	105			105
Athletic Travel	-	2,425	1,400	1,025			1,025
WCHS Girls Softball	1,238	13,067	8,685	5,620		(50)	5,570
WCHS Boys Basketball	3	50	-	53			53
WCHS Girls Basketball	42	-	-	42			42
Band	1,378	1,269	2,036	611		(500)	111
Choir	249	-	-	249			249
WCHS Baseball	761	500	493	768			768
BETA Club	2,043	809	1,060	1,792			1,792
Parking Pass	458	1,657	1,748	367			367
Business Education	-			-			-
Cheerleaders	4,161	11,797	13,611	2,347			2,347
Soccer	119	-	119	-			-
Boys Golf	76	665	732	9			9
CATS Assessment	513	-	-	513			513
Florida Expedition	316	3,077	3,393	-			-
Concessions	292	15,998	15,180	1,110		(216)	894
D.E.C.A.	2,408	22,700	24,104	1,004			1,004
English	224	-	-	224			224
Drama	1,381	1,059	955	1,485			1,485
Journalism	634	-	-	634			634
Faculty	118	173	-	291			291
FFA	4,309	23,139	24,867	2,581		(100)	2,481
FCCLA	981	22,777	22,731	1,027			1,027
FRYSC	-	500	318	182		(150)	32
General	1,673	12,353	13,642	384			384
Textbook Fees	18,406	5,592	2,688	21,310			21,310
Library	960	5,918	5,294	1,584			1,584
Math	149	-	-	149			149
PEP Club	201	1,031	1,201	31			31
Physical Education	12	-	-	12			12



Project Graduation	3,599	12,253	15,571	281			281
Resource Room	274	270	458	86			86
Science	1,839	470	912	1,397			1,397
Senior KY Kingdome	-	2,340	2,242	98			98
Social Studies	34	-	-	34			34
Spanish Club	953	95	311	737			737
French Club	195	-	15	180			180
National Honor Society	624	830	1,074	380			380
Student Council	223	611	760	74			74
Locker Fees	961	1,417	340	2,038			2,038
Vocational Agriculture	-			-			-
WCHS Volleyball	675	6,493	4,833	2,335			2,335
Yearbook	12,783	7,201	7,745	12,239			12,239
Greenhouse	7,412	11,297	11,947	6,762			6,762
FFA Relay for Life	40	-	-	40			40
Art Club	88	14	-	102			102
Arts and Humanities	80	293	245	128			128
FCA	-	400	400	-			-
Prom	1,412	8,332	6,657	3,087			3,087
Magazine Drive	161	6,139	5,885	415			415
Jason Curtsinger Sch	3	-	-	3			3
Academic Team	499	225	-	724			724
Academic Team	-	400	-	400			400
STLP	15	-	-	15			15
CBWTP	95	425	270	250			250
DECA - Region II	533	1,269	915	887			887
WCHS Football	2,687	16,510	16,292	2,905			2,905
WCHS Football Benevolent	1,881	-	1,555	326			326
WCHS Football Camp	2,554	2,400	2,267	2,687			2,687
Total All Funds	83,969	293,596	285,546	92,019	-	(1,016)	91,003
Interfund Transfers	-	(15,042)	(15,042)	-	-	-	-
Total	83,969	278,554	270,504	92,019	-	(1,016)	91,003

WASHINGTON COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	MUNIS PROJECT NUMBER	EXPENDITURES
<u>U.S. Department of Education</u>			
Passed-Through Department of Education			
Title I	84.010	3108	90,524
Title I	84.010	3109	330,574
Title I-C, Voc & Tech Education	84.002	3489	14,334
Title I Part D, Subpart 2 (N&D)	84.010	3147	5,835
Title I Part D, Subpart 2 (N&D)	84.010	3148	30,958
Title I Supplemental	84.010		10,277
Title I Cluster			482,502
Title V - Innovative Prog. Strategies	84.298	3348	449
IDEA - Basic	84.027	3378	127,537
IDEA- Basic	84.027	3379	339,898
IDEA - Preschool	84.173	3438	11,622
Special Education Cluster			479,057
Title III, Lmted English Proficiency	84.365	3457	890
Title III, Lmted English Proficiency	84.365	3459	9,014
Title III			9,904
Community Based Work Transition	84.234	3718	8,616
Community Based Work Transition	84.234	3719	16,321
Community Based Work Transition			24,937
Justice-Drug Free Community Support	93.276	5008	28,012
Justice-Drug Free Community Support	93.276	5009	91,310
Justice-Drug Free Community Support			119,322
Title II Part A Teacher Quality	84.336	4018	71,278
Title II Part A Teacher Quality	84.336	4019	41,726
Title II Part A Teacher Quality			113,004
Basic Grant, Title IIC	84.unknown	3487A	492
Title IV - Safe & Drug Free Schools	84.186	4067	1,019
Title IV - Safe & Drug Free Schools	84.186	4068	1,021
Title IV - Safe & Drug Free Schools	84.186	4069	5,854
Title II Part D Education Technology	84.318	4257	3,490
Title II Part D Education Technology	84.318	4258	151
Striving Readers	84.371	6947	124 *
Striving Readers	84.371	6948	126,839 *
NWES 21st CCLC Best	84.287	5508N	32,769
NWES 21st CCLC Best	84.287	5509N	8,728
NWES 21st CCLC Summer Extra	84.287	5508S	10,000
NWES 21st CCLC Summer Extra	84.287	5509S	10,519
WCES 21st CCLC Springboard	84.287	5507W	2,309
WCES 21st CCLC Springboard	84.287	5509W	5,279
Service Learning Grant	84.287	6758	3,015
Service Learning Grant	84.287	6759	4,800
			77,419
Total U.S. Department of Education			1,445,584
<u>U.S. Department of Agriculture</u>			
Passed-Through State Department of Education			
National School Lunchroom	10.559	7690024-08	1,522
National School Lunchroom	10.559	7740023-08	14,674
National School Lunchroom	10.555	7750002-08	131,374
School Breakfast Program	10.555	7750002-09	271,062
School Breakfast Program	10.553	7760005-08	41,793
School Breakfast Program	10.553	7760005-09	82,319
Child Nutrition Cluster			542,744 *
Passed-Through State Department of Agriculture			
In-Kind Contributions	10.550	N/A	53,297 *
Total U.S. Department of Agriculture			596,041
Total Federal Financial Assistance			2,041,625

\* Tested as major program

WASHINGTON COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of federal awards includes the federal grant activity of the Washington County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

WASHINGTON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of audit issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**FEDERAL AWARDS**

Internal control over major programs?

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None Reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.371	Striving Readers
10.550/10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**SECTION II – FINANCIAL STATEMENT OF FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

WASHINGTON COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2009

No matters were reported.

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October 2, 2009

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Education  
Washington County School District  
Springfield, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington County School District, as of and for the year ended June 30, 2009, which collectively comprise the Washington County School District's basic financial statements and have issued our report thereon dated October 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Washington County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Washington County School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Washington County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Washington County School District's financial statements that is more than inconsequential will not be prevented or detected by the Washington County School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Washington County School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Washington County School District in a separate letter dated October 2, 2009.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, members of the Board of Education of Washington County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely

***White and Company, P.S.C.***

Certified Public Accountants

**WHITE AND COMPANY, P.S.C.**  
**Certified Public Accountants**  
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October 2, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Education  
Washington County School District  
Springfield, Kentucky

Compliance

We have audited the compliance of Washington County School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Washington County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Washington County School District's management. Our responsibility is to express an opinion on Washington County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Washington County School District's compliance with those requirements.

In our opinion, Washington County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.



## Internal Control over Compliance

The management of Washington County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Washington County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington County School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Washington County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Washington County School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, members of the Board of Education of Washington County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

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October 2, 2009

**MANAGEMENT LETTER**

Members of the Board of Education  
Washington County School District  
Springfield, Kentucky

In planning and performing our audit of the financial statements of Washington County School District for the year ended June 30, 2009, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year Recommendation

It was noted during the course of the audit that some of the activity fund disbursements for Washington County Elementary School were not supported by appropriate documentation. We recommend that the District communicate with all principals the importance of maintaining supporting documentation and reviewing that documentation prior to the activity fund checks being signed and mailed to vendors.

School activity fund disbursements examined were supported by appropriate documentation.

Recommendation

It was noted during the course of the audit that the person who prepares the bank reconciliation also recorded cash receipts. We recommend that a listing of receipts be prepared separate from the accounting department by the person who opens the mail. This receipts listing should be given directly to an accounting department staff for recording into MUNIS. Ultimately, the finance officer will reconcile the receipts upon preparing the monthly bank reconciliation.

Management Response

We will have the receptionist prepare a listing of all receipts on a daily basis and forward those to an accounting staff who will be responsible for recording the receipts into MUNIS.

Recommendation

It was noted during the course of the audit that there was an instance where a purchase order and supporting documentation were not reconciled prior to payment of the invoice. We recommend that all purchase orders be reconciled to the invoice and receiving report prior to the payment of invoices.

### Management Response

We will inform all staff that invoices and receiving reports are to be reconciled to the purchase orders prior to payment of the invoices.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to perform any additional study of these matters or to assist you in implementing the recommendations.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

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October 2, 2009

Members of the Board of Education  
Washington County School District  
Springfield, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington County School District for the year ended June 30, 2009, and have issued our report thereon dated October 2, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133:

As stated in our engagement letter dated April 7, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Washington County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expression our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Washington County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Washington County School District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Washington County School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Washington County School District's compliance with those requirements.

## Significant Auditing Findings:

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Washington County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 2, 2009.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Washington County Board of Education and management of Washington County School District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants